TEFRON LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2025

(UNAUDITED)

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Unaudited

Index

Deloitte.

Review Report of the Auditors to the Shareholders of
Tefron Ltd.

Preface

We have reviewed the attached financial information of **Tefron Ltd. and its consolidated companies** (hereinafter - "the Company"), which includes the condensed consolidated balance sheet as of March 31, 2025, and the condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the period of three months then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for this interim period, in accordance with International Accounting Standard IAS 34 - "Financial Reporting for Interim Periods" and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of the review

We have performed our review in accordance with Review Standard (ISRE) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor". A review of financial information for interim periods consists of making inquiries, primarily with persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is considerably more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and, therefore, does not enable us to obtain assurance that we will be aware of all significant matters that might have been identified in an audit. Consequently, we are not expressing an opinion of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the aforesaid in the previous paragraph, based on our review, nothing has come to our attention that would cause us to believe that the above financial information does not comply, in all material respects, with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Haifa, May 20, 2025

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Tefron Ltd.

Condensed Consolidated Balance Sheets

	As of March 31,		As of December 31,
	2025	2024	2024
	Unaudited		Audited
	US dollars in thousands		
ASSETS			
CURRENT ASSETS			
Cash	6,901	6,787	6,216
Trade receivables, net	39,975	46,877	49,582
Other receivables	5,677	4,796	4,237
Inventory	49,718	49,254	48,476
Total current assets	102,271	107,714	108,511
NON-CURRENT ASSETS			
Property, plant and equipment, net	28,780	21,666	25,781
Right-of-use asset, net	10,085	5,660	6,781
Goodwill and intangible assets, net	8,018	8,494	8,375
Long-term receivables	405	333	339
Deferred taxes, net	-	482	-
Total non-current assets	47,288	36,635	41,276
Total assets	149,559	144,349	149,787

The notes to the consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Balance Sheets

	As of March 31,		As of December 31,
	2025	2024	2024
	Unaudited		Audited
	US dollars in thousands		
LIABILITIES & EQUITY			
CURRENT LIABILITIES			
Credit from banking corporations	2,000	1,457	5,000
Trade payables	43,064	45,397	44,726
Other payables	12,230	12,549	10,571
Current maturities of lease liabilities	3,128	2,157	2,141
Total current liabilities	60,422	61,560	62,438
NON-CURRENT LIABILITIES			
Loans from banking corporations	-	7,286	-
Liabilities for benefits to employees, net	1,159	1,315	1,203
Long-term payables	3,669	5,234	4,095
Lease liabilities	7,113	3,229	4,950
Deferred taxes, net	254	-	309
Total non-current liabilities	12,195	17,064	10,557
EQUITY			
Share capital	35,982	35,153	35,753
Additional paid-in capital	101,289	101,345	101,401
Capital reserve for remeasurement of defined benefit plan	(2,314)	(2,299)	(2,314)
Accumulated deficit	(51,074)	(61,675)	(50,869)
Treasury shares	(7,408)	(7,408)	(7,408)
Other capital reserves	467	609	229
Total equity	76,942	65,725	76,792
Total liabilities and equity	149,559	144,349	149,787

May 20, 2025			
Date of approval of the financial statements	**Yossi Shachak Chairman of the Board**	**Ben Lieberman CEO**	**Gregory Davidson CFO**

The notes to the consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Income

	For the three months ended March 31,		For the year ended December 31
	2025	2024	2025
	Unaudited		Audited
	US dollars in thousands (excluding data on earnings per share)		
Sales	59,059	75,580	293,863
Cost of sales	46,232	57,671	227,383
Gross profit	12,827	17,909	66,480
Development expenses	1,647	1,813	7,091
Selling and marketing expenses	6,730	7,424	29,684
General and administrative expenses	1,235	1,321	5,961
Operating profit	3,215	7,351	23,744
Financing income	70	37	167
Financing expenses	(773)	(1,198)	(4,352)
Financing expenses, net	(703)	(1,161)	(4,185)
Income before taxes on income	2,512	6,190	19,559
Taxes on income	(657)	(1,884)	(4,447)
Net income	1,855	4,306	15,112

Income per share (in dollars)

Basic earnings per share	0.15	0.35	1.20
Diluted earnings per share	0.14	0.33	1.13

The notes to the consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		Audited
	US dollars in thousands		
Net income	1,855	4,306	15,112
Other comprehensive income (loss):			
Amounts that will not be reclassified thereafter to the statements of income (net of tax):			
Loss from remeasurement of a defined benefit plan	-	-	(15)
Subtotal of items that will not be reclassified thereafter to the statements of income	-	-	(15)
Amounts that will be reclassified or are reclassified to the statements of income provided that specific terms are met:			
Foreign currency translation differences in respect of foreign operations	238	-	(380)
Total items that shall be reclassified or are reclassified to the statements of income	238	-	(380)
Total other comprehensive income (loss)	238	-	(395)
Total comprehensive income attributable to the Company's shareholders	2,093	4,306	14,717

The notes to the consolidated financial statements are an integral part thereof

Tefron Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Share capital	Additional paid in capital	Reserve for the remeasurement of defined benefit plans	Accum. deficit	Treasury shares	Other capital reserves	Total Equity
	Unaudited						
	US dollars in thousands						
Balance as of January 1, 2025 (audited)	35,753	101,401	(2,314)	(50,869)	(7,408)	229	76,792
Net income	-	-	-	1,855	-	-	1,855
Total other comprehensive income	-	-	-	-	-	238	238
Issue of shares from the exercise of options	229	(229)	-	-	-	-	-
Share based payment to employees and consultants	-	117	-	-	-	-	117
Dividend declared	-	-	-	(2,060)	-	-	(2,060)
Balance as of March 31, 2025	35,982	101,289	(2,314)	(51,074)	(7,408)	467	76,942

	Share capital	Additional paid in capital	Reserve for the remeasurement of defined benefit plans	Accum. deficit	Treasury shares	Other capital reserves	Total Equity
	Unaudited						
	US dollars in thousands						
Balance as of January 1, 2024 (audited)	35,065	101,201	(2,299)	(63,986)	(7,408)	609	63,182
Net income	-	-	-	4,306	-	-	4,306
Issue of shares from the exercise of options	88	(88)	-	-	-	-	-
Share based payment to employees and consultants	-	232	-	-	-	-	232
Dividend declared	-	-	-	(1,995)	-	-	(1,995)
Balance as of March 31, 2024	35,153	101,345	(2,299)	(61,675)	(7,408)	609	65,725

The notes to the consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Share capital	Additional paid in capital	Reserve for the remeasurement of defined benefit plans	Accum. deficit	Treasury shares	Other capital reserves	Total Equity
	US dollars in thousands						
Balance as of January 1, 2024	35,065	101,201	(2,299)	(63,986)	(7,408)	609	63,182
Net income	-	-	-	15,112	-	-	15,112
Total other comprehensive loss	-	-	(15)	-	-	(380)	(395)
Issue of shares from the exercise of options	688	(688)	-	-	-	-	-
Share based payment to employees and consultants	-	888	-	-	-	-	888
Dividend paid	-	-	-	(1,995)	-	-	(1,995)
Balance as of December 31, 2024	35,753	101,401	(2,314)	(50,869)	(7,408)	229	76,792

The notes to the consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three months ended March 31,		For the year ended December 31
	2025	2024	2024
	Unaudited		Audited
	US dollars in thousands		
Cash flows from operating activities			
Net income	1,855	4,306	15,112
Adjustments required to present cash flows from operating activities:			
Adjustments to statement of income items:			
Depreciation and amortization	1,930	1,941	8,108
Cost of share-based payment	(345)	379	1,370
Loss due to impairment of slow inventory	144	96	965
	1,729	2,416	10,443
Change in deferred taxes, net	(55)	1,009	1,800
Change in liabilities for benefits to employees, net	(44)	16	(111)
Recorded lease interest	138	80	300
Royalty interest	76	48	280
Taxes on income paid (received) in cash, net	109	(62)	495
Interest expenses paid in cash	543	1,280	3,253
	767	2,371	6,017
Changes in assets and liabilities items:			
Increase (decrease) in trade receivables	9,665	(2,080)	(4,875)
Increase in other receivables	(1,464)	(1,053)	(569)
Decrease (increase) in inventory	(1,320)	6,173	6,000
Increase (decrease) in trade payables	(1,468)	2,103	1,831
Increase in other payables	255	314	699
	5,668	5,457	3,086
Cash paid and received during the period for:			
Interest paid	(543)	(1,280)	(3,253)
Taxes paid	(109)	(4)	(758)
Taxes received	-	66	263
	(652)	(1,218)	(3,748)
Net cash provided from operating activities	9,367	13,332	30,910

The notes to the consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three months ended March 31,		For the year ended December 31
	2025	2024	2024
	Unaudited		Audited
	US dollars in thousands		
Cash flows from investing activities			
Purchase of fixed assets	(3,806)	(1,648)	(8,362)
Purchase of intangible assets	(254)	(103)	(663)
Net cash used for investing activities	(4,060)	(1,751)	(9,025)
Cash flows from financing activities:			
Short-term bank credit, net	(3,000)	(6,000)	(1,000)
Repayment of long-term loans	-	(364)	(9,107)
Liability payment for the acquisition of operations	(198)	(259)	(987)
Repayment of long-term credit for fixed assets	(234)	(233)	(836)
Dividend payment	-	-	(1,995)
Repayment of a lease liability	(686)	(732)	(2,747)
Repayment of royalties' liability	(552)	(527)	(2,214)
Net cash used for financing activities	(4,670)	(8,115)	(18,886)
Exchange rate volatility	48	-	(104)
Increase (decrease) in cash and cash equivalents	685	3,466	2,895
Cash and cash equivalents at beginning of period	6,216	3,321	3,321
Cash and cash equivalents at end of period	6,901	6,787	6,216

Appendix a – Significant non-cash transactions			
Recognition of right-of-use assets against a lease liability	3,698	-	3,065
Recognition of franchise assets against a liability for minimum royalty payments	-	4,373	5,684

The notes to the consolidated financial statements are an integral part thereof.

Note 1 - General

a. These financial statements were prepared in a condensed form as of March 31, 2025, and for the three-month period then ended (hereinafter - "interim consolidated financial statements"). These statements should be read together with Tefron Ltd.'s (hereinafter: “the Company”) annual financial statements as of December 31, 2024, and for the year then ended, and the notes accompanying them (hereinafter: "annual consolidated financial statements").

b. The Company did not include separate financial information in the financial statements in accordance with the provisions of Regulation 5D(6) and 5E(c) of the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter: “the reporting regulations”). In addition, in accordance with Regulation 9C(c) of the reporting regulations, the Company believes that the separate financial data of the Company is negligible from a qualitative standpoint, despite its quantitative scope, the reason for which is mainly due to the fact that as stated in Note 14(2) to the annual consolidated financial statements, the Group’s credit agreement with the lending bank refers to Tefron Group as a whole with cross-guarantees between the entities of the Group and providing information regarding separate financial statements will not carry with it any additional material information to the reasonable investor (shareholder) or to the creditors regarding the liquidity risk of the parent company, that is not already included in the framework of the consolidated financial statements of the Company.

Note 2 - Significant accounting principles

a. Basis for the preparation of the financial statements

The consolidated financial statements (hereinafter – “interim financial statements”) have been prepared in accordance with International Accounting Standard IAS 34 – “Financial Reporting for Interim Periods” (hereinafter – “IAS 34”).

During the preparation of these interim financial statements, the Group implemented accounting policies, presentation rules, and calculation methods identical to those applied in its financial statements as of December 31, 2024, and for the year then ended.

The consolidated financial statements were prepared in accordance with the disclosure requirements in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

b. Taxes on income in interim financial reports

The tax expenses (income) for the presented periods include the total current taxes, taxes in respect of previous years, as well as the total change in the balances of deferred taxes.

Current tax expenses (income) in interim periods are accrued using the average effective annual income tax rate. For the purpose of calculating the effective income tax rate, tax losses for which deferred tax assets were not recognized, which are expected to reduce the tax liability in the reporting year, are deducted.

Note 3 – Amendments to accounting and financial reporting standards

International Financial Reporting Standard 18 “Presentation and Disclosure in Financial Statements” (“IFRS 18”)

On April 9, 2024, the IASB published IFRS 18, which replaces IAS 1 “Presentation of Financial Statements” (IAS 1). The standard aims to improve how information is communicated by entities in their financial statements.

The standard focuses on the following topics:

1. Statement of Income structure - presentation of defined subtotals and classification of income and expenses into specified categories.
2. Improvements to the aggregation and disaggregation of information in both the primary financial statements and the accompanying notes.
3. Disclosing information on management-defined performance measures (MPMs), which are non-GAAP measures, in the notes to the financial statements.

Furthermore, amendments to other IFRS standards become effective when applying IFRS 18, including changes to IAS 7 “Statement of Cash Flows”, which will enhance comparability between entities. The amendments mainly include: using the operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities, and removing the presentation alternatives for cash flows related to interest and dividends paid and received. Consequently, except in specific cases, interest and dividends received will be classified as cash flows from investing activities, while interest and dividends paid will be classified as financing activities.

The standard will be applied for annual reporting periods beginning on or after January 1, 2027, and will be applied retrospectively with specific transition requirements. Earlier application is permitted; however, according to the Israel Securities Authority’s decision, earlier application is allowed only for reporting periods beginning on January 1, 2025 (financial statements for the first quarter of 2025).

The Company is currently assessing the impact of adopting IFRS 18, including the impact of amendments to additional IFRS standards impacted by the adoption of IFRS 18, on the financial statements.

Note 4 – Meeting the financial covenants

As of March 31, 2025, the Company met the financial covenants set forth in the financing agreement with the Company’s financing bank, CITIBANK CANADIAN BRANCH, as detailed as follows:

Debt service cover ratio of at least 1.20 times, was 4.13.
Debt to EBITDA ratio (as defined in the financing agreement) of no more than 3.50 times was 0.

Note 5 – Significant events during the period of the report and thereafter

a. Dividend distribution:

On March 23, 2025, the Company announced, after receiving the approval from the Board of Directors, the distribution of a cash dividend to the Company's shareholders in an aggregate amount of US$ 2 million (US$ 0.16 per share). Subsequent to the date of the report, on April 23, 2025, the dividend was paid.

Note 5 – Significant events during the period of the report and thereafter (Cont.)

b. “Swords of Iron” War

On October 7, 2023, the "Swords of Iron" war (“the war”) began in Israel following a surprise attack by the Hamas organization from the Gaza Strip on the State of Israel. Since the publication of periodic report of the Company for 2024, there have been no significant changes in the intensity of the war.

The war has had no material effect on the Company since all the sales and production processes are carried out overseas, with the exception of the development stage, which is mostly carried out in Israel and which was also not affected by the war. Based on the experience during the ongoing war till these days, and in particular when there is a ceasefire on the Lebanese front as of the date of publication of this report, the Company does not expect the events of the war to have a material impact on the Company. Nevertheless, it should be noted that a deterioration into an intensive war in particular, and a regional war in general, could affect Israel's relationship with Jordan and the Company's local production in Jordan, something that could have significant effects, particularly in regard to the brands segment

c. Imposing additional tariffs on products imported from China to the United States

At the beginning of March 2025, the president of the United States announced the implementation of an additional tariff of 10% on products imported from China to the United States (hereinafter: the "additional tariff order"), after an additional tariff of 10% had already been imposed at the beginning of February 2025. Therefore, as of the beginning of 2025, a total of 20% tariffs were imposed on products imported from China to the United States. Once the new order was published, the Company estimated that the additional tariff order may reduce the Company's profitability with respect to sales of products sold by the Company and manufactured in China. Assuming that these sales will be similar to the Company's sales of these products in 2024, the aforementioned reduction in profitability may affect the Company's pre-tax profit in 2025 by an estimated amount of US$ 2-3 million. The aforementioned depends on the pace of the Company’s ability to transfer the production process of these products from China to other countries and on the results of negotiations with both the suppliers of these products and the customers who purchase these products regarding changes in the purchase prices of the products and their selling prices to customers, and accordingly, the Company assessed that a material change may occur in the aforementioned estimation.

Subsequent to the date of the report, on April 2, 2025, the president of the United States signed an order, according to which the United States imposed additional tariffs at various rates on countries that export their products to the United States (hereinafter: the "tariff order"). On the surface, the tariff order appears to create a competitive advantage for the Company over its competitors that, similarly to the Company, manufacture seamless products, due to the location of the Company's factory in Jordan. Since the date of the tariff order on April 9, 2025, the additional tariffs have been reduced to a rate of 10% for all of the countries for 90 days, excluding China, in order to hold negotiations between the United States and the producing countries. On May 12, 2025, the additional tariffs between the United States and China were reduced to 30% for 90 days for the purpose of negotiations between the United States and China.

It appears that as of the date of publication of the report, the competitive advantage mentioned above that relates to the plant in Jordan is still valid. Nevertheless, the Company is

Note 5 – Significant events during the period of the report and thereafter (Cont.)

c. Imposing additional tariffs on products imported from China to the United States (Cont.)

unable to assess the full impact of the tariff-related matters between the United States and China and other countries on the Company's operations, until this matter is fully resolved.

d. Convening of an extraordinary general meeting of the shareholders

On March 19, 2025, the extraordinary general meeting of the shareholders of the Company approved the renewal of the indemnity letters of Messrs. Ben and Martin Lieberman, directors and officers of the Company, who are controlling shareholders of the Company.

Note 6 - Operating segments

a. General

The information that the Company provides in accordance with the IFRS 8 definitions is based on the available financial information, which is reviewed regularly and is used by the Company’s CEO, who is the Company's chief operating decision-maker (CODM), for the purpose of making decisions regarding the resources to be allocated to the segment and in order to evaluate the segment’s performance.

Based on the criteria in IFRS 8 for determining reportable operating segments and the available financial information, which is reviewed regularly by the Company's CEO, the Company has determined that it operates in two reportable operating segments:

(a) Brands – This segment engages in the design, development, production, and marketing of seamless intimate apparel and activewear and leisurewear, which are manufactured in the Company’s plants and through subcontractors and are sold to customers with leading brands.

(b) Retail – This segment engages in the design, development, production, and marketing of seamless intimate apparel and activewear and leisurewear which are sold worldwide to customers in the retail market and are characterized by purchasing large quantities of less complex products compared to the products of the brands segment.

Note 6 - Operating segments (Cont.)

b. Reporting in respect of operating segments

	For the three-month period ended March 31, 2025			For the three-month period ended March 31, 2024		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited			Unaudited		
	US dollars in thousands			US dollars in thousands		
Total segment revenues from external customers	12,664	46,395	59,059	21,090	54,490	75,580
Cost of goods sold	10,996	35,236	46,232	15,966	41,705	57,671
Gross profit	1,668	11,159	12,827	5,124	12,785	17,909
Segment results	22	3,193	3,215	3,117	4,234	7,351
Financing expenses, net			(703)			(1,161)
Tax expenses			(657)			(1,884)
Net income			1,855			4,306

	For the year ended December 31, 2024			
	Brands	Retail	Adjustments	Total
	US dollars in thousands			
Total segment revenues from external customers	94,250	199,613		293,863
Cost of goods sold	72,692	154,691		227,383
Gross profit	21,558	44,922		66,480
Segment results	11,400	12,344		23,744
Financing expenses, net				(4,185)
Tax expenses				(4,447)
Net profit				15,112

c. Regarding splitting revenue from contracts with customers into groups that detail how the nature of the amount, timing, and uncertainty of revenue and cash flows are affected by economic factors, see the note related to segments above.

Note 7 - Financial instruments

Fair Value

The carrying amount of cash, trade receivables, other receivables, banks' credit and long-term loans, trade payables, and other payables matches or approximates their fair value.